



**U.S.-Russia Relations:  
Weathering the Storm**

**Joseph Ferguson**  
**National Council for Eurasian and East European Research**

As even the most casual of observers knows, the U.S.-Russian bilateral relationship has deteriorated steadily over the past five years. Signs seemed to point to this past quarter as the culmination of the confrontation between Moscow and Washington, with a number of key events scheduled to occur: a Kosovar declaration of independence, further NATO expansion, the Russian presidential election, and a 2+2 meeting focused on the controversial missile defense system in Eastern Europe. But as the quarter ended with an unexpected, yet cordial summit meeting between Presidents Bush and Putin in Sochi, the relationship seemed to have weathered the cold winter and spring seems to have brought a harbinger of better relations – at least until the U.S. presidential election in November.

**Strategic issues dominate**

Traditional strategic issues that divided the U.S. and the Soviet Union during the Cold War have tended to keep Moscow and Washington at odds for the past half decade, hence the tendency for analysts and experts to term the recent tensions a “new Cold War.” Geopolitics in Europe, Central Asia, and the Middle East continue to divide the two nations. Additionally, strategic weapons systems and arms control agreements have become points of contention, yet again.

Within Europe, the Balkans have maintained their place as a crossroads of misperception and competing strategies. In February, Kosova declared independence from Serbia. This declaration was almost immediately greeted with approval and recognition in Washington and much of Western Europe. The State Department has been particularly enthusiastic about completing the political consolidation of the Balkans. The Russian government, however, condemned the Kosovar declaration; Vladimir Putin called it “immoral and illegal.” Kosovar independence is a double-edged sword for Moscow. On the one hand, Russia (like China, which also opposes an independent Kosova) does not want to see similar declarations from small, ethnic republics within the Russian Federation, such as Chechnya. On the other hand, there is concern expressed in the U.S. that the Kosovar declaration would give Russian-supported separatist movements in Georgia (Abkhazia and South Ossetia) impetus to declare independence themselves. Ultimately, the Russian government did not support similar declarations in the Caucasus, and the Kremlin instead called for the Kosova issue to be taken again to the UN Security Council. Most saw this

as a face-saving measure by Moscow to demonstrate continued solidarity with Serbia, but recognized there is little Russia can do to change the reality on the ground.

The Russian government has been much more forceful in its opposition to the declared determination by the Georgian and Ukrainian governments to follow a roadmap to potential NATO membership. The so-called Membership Action Plan (MAP) for Georgia and Ukraine is as strongly supported by Washington as it is opposed by Moscow. President Bush personally lobbied for the MAP at the April NATO summit in Bucharest, Romania. Several weeks prior to the Bucharest summit on the occasion of the visit of Ukrainian President Viktor Yushchenko to Moscow, Putin said that if Ukraine joins NATO, Russia would likely target nuclear missiles on that country.

Putin had been invited annually to the NATO summits since 2002, but had always declined the invitation. Therefore his decision to attend the 2008 Bucharest summit was seen by some as an attempt to somehow impose the will of Russia on the proceedings. The Bucharest agenda included membership for Albania, Croatia, and Macedonia; the MAPs for Georgia and Ukraine; the alliance's manpower troubles in Afghanistan; and the controversial missile defense system, parts of which NATO plans to install in Poland and the Czech Republic. After meeting with the leaders of NATO's 26 members (and arriving unannounced and uninvited to a state dinner), Putin told a press conference of his opposition to the expansion of the alliance into Georgia and Ukraine: "The appearance on our borders of a powerful military bloc ... will be considered by Russia as a direct threat to our country's security."

Moscow received unexpected support from France and Germany on this issue. German Chancellor Angela Merkel has led the push from several NATO members to veto the MAP for Georgia and Ukraine. This was clear already before the Bucharest summit, hence Bush's personal lobbying efforts. But in Bucharest, both France and Germany had their way in pushing support for Moscow on this issue. Evidently in return, Moscow made it known that it would allow NATO forces air and land non-lethal supply corridors across Russia and Central Asia into Afghanistan. Thus, Moscow indicated that it was prepared to bargain. This strategic accommodation was also evident in the 2+2 talks in Moscow, and later at Sochi between Bush and Putin concerning the missile defense system, elements of which the United States and NATO are planning to install in Eastern Europe. NATO strongly endorsed the missile defense system at the Bucharest meeting.

At the Sochi summit of April 5-6 (the 28<sup>th</sup> meeting between Bush and Putin), the atmosphere was friendly and "nostalgic" as the two presidents met for perhaps the last time. Putin proudly displayed the plans and models for the 2014 Sochi Winter Olympics. The two continued to disagree about the missile defense plans, in spite of Bush's assurances that such a system would not be aimed at Russia. Putin continued to state his opposition to the establishment of such a system, particularly on Eastern European soil. "Our fundamental attitude to the American plans have not changed, however, certain progress is obvious," he said. Bush countered by saying, "we've got more work to do to convince the Russian side that the system is not aimed at Russia." The U.S. has indicated that it would be prepared to put off the final installment of missile interceptors until Iran

develops long-range ballistic missiles and to allow Russian monitors at radar and missile sites. It remains to be seen whether this will be enough to assuage the Kremlin. Putin remained vague in response to these points at Sochi, although he did say he was “cautiously optimistic” that a settlement could be reached. The two leaders addressed other issues such as most favored nation (MFN) trade status for Russia, the treaty on Conventional Forces in Europe (CFE), and the Strategic Arms Reduction Treaty (START), which is set to expire in 2009.

Additionally, the two leaders signed a joint declaration, or “strategic framework” to guide relations. The declaration stated that the two nations “are dedicated to working together and with other nations to address the global challenges of the 21<sup>st</sup> century, moving the U.S.-Russia relationship from one of strategic competition to strategic partnership.” The declaration also touched on trade, climate change, defense technology cooperation, counter-terrorism, nuclear nonproliferation, WTO membership for Russia, energy cooperation, and the nuclear issues in Iran and North Korea.

On these last two issues, incidentally, it was a relatively quiet quarter for U.S.-Russian relations. Iran remains out of the reaches of the UN as long as Russia maintains its veto power. Russia does not want Iran to develop nuclear weapons, but most assuredly wants to profit from commercial exports of nuclear energy and technology to that country.

Although the positive atmosphere at Sochi was good for the bilateral relationship – Bush and Putin have always got on well together – but they often turn around to their domestic audiences and criticize each other’s policies or governments. The sense of optimism, rather, is more in the hope that President-elect Dmitry Medvedev will be his own man and establish a workable political agenda that will be less about “sovereign democracy” and will look more toward the West for inspiration.

### **Russia’s new president-elect**

As expected, Medvedev was elected president in the first round of elections in Russia on March 2. Over the next few weeks, Medvedev delivered a series of speeches – almost in campaign style – and gave interviews espousing his vision of Russia. As during the run-up to the election, Medvedev said all the things that liberals in Russia and optimists in the West hoped to hear. He spoke of the need to stamp out corruption and to establish a sound rule of law in Russia. Furthermore Medvedev has stated that he wishes to see Russia continue to build an economy based on free market principles, and has hinted that he is “in principle” against state corporations. The growth of the state monopolies, particularly in the energy industry, has given many in the West pause for concern.

Both Medvedev and First Deputy Prime Minister Sergei Ivanov have been quoted recently in the Russian press and on state television saying that the establishment of more state corporations is something that Russia should avoid. Some Russian analysts feel that Ivanov’s support of Medvedev on this issue is a blow against the group of political heavyweights known as the *siloviki*. These former security service personnel – many of them Kremlin aides – have frequently been named to head the state-controlled

corporations. Ironically, Ivanov is himself a member of the *siloviki*, and heads the United Aircraft Corporation, a conglomeration meant to challenge the supremacy of Airbus and Boeing in the development of commercial aircraft. But, indications are that Ivanov is lining up behind Medvedev, a good sign for those in Russia and the West banking on the idea that Medvedev can control the *siloviki*, who are seen as more prone to fomenting competition with the U.S. Interestingly, in a March interview with the *Financial Times*, Medvedev also stated that the main powers over domestic and foreign policy will rest with the office of the president, as outlined in the Russian constitution, and not with the prime minister. Vladimir Putin, of course, will serve as Medvedev's prime minister.

President Bush personally spoke with Medvedev by phone in mid-March, and then met with the president-elect at the summit meeting in Sochi. Bush said that he was favorably impressed by the serious and intelligent demeanor of Medvedev. Bush also said that he looks forward to working with Medvedev, who will be sworn in May 7. The two will meet again at the G-8 summit in Hokkaido, Japan in July.

Meanwhile, in the U.S. presidential primaries Russia has cropped up in the debates and discussions, and not in a positive light. For the most part, however, the Russian leadership has gotten used to being a punching bag in the U.S. political debate, so comments by John McCain belittling Putin and by Hillary Clinton belittling Medvedev were met with nary a shrug in Moscow.

### **Energy nationalism**

Apart from the presidential elections in Russia, which were seen by in the West as dubious at best in terms of transparency, the issue that has grabbed the attention of most observers these past few months is the Russian government's slow encroachment into almost every project and sector of the energy industry. Where the beginning of 2007 saw Gazprom's semi-hostile takeover of the Sakhalin-II oil and gas project (at the expense of Shell, Mitsubishi, and Mitsui), the beginning of 2008 has seen the Russian government moving against TNK-BP. Gazprom again seems primed to move into any vacuum created by a forced sell-off or nationalization of TNK-BP. Recently BP employees have had their visas revoked, and TNK-BP offices have been raided by Russian law enforcement officials. TNK-BP has been targeted for back tax claims, and at least one Russian employee has been accused of industrial espionage. This has all been eerily reminiscent of the actions taken against the private oil firm Yukos from 2003 onward, and against the Sakhalin-II consortium in 2006-07. In fact, TNK-BP was forced to sell off 63 percent of its stake in the Kovykta gas project (East Siberia) to Gazprom in the summer of 2007, but the deal has not yet been finalized.

It is unclear whether the move against BP is part of the larger deterioration of Anglo-Russian relations since the poisoning of Alexander Litvinenko in London in late 2006, or part of the larger strategy to nationalize all strategic industries and projects within the Russian Federation. More than likely it is a combination of the two, although the strategic aspect most likely carries more weight in the Kremlin's calculations. Thus far the major energy project with U.S. participation, Sakhalin-I, has yet to run afoul of

Russian authorities and the project has been relatively free to run itself and continue producing oil and gas. To date, Washington has had little comment concerning energy affairs in Russia, leaving the criticism for the press. When and if Gazprom moves against Exxon and Sakhalin-I, rest assured, the U.S. government will take a big interest in the proceedings.

In Europe, U.S.-backed and Russian-backed gas pipelines are competing for market share. Washington backs the Nabucco pipeline project, which is projected to convey Caspian gas via Turkey and the Balkans to Central Europe. Moscow backs the South Stream pipeline project (run, of course, by Gazprom), which aims to bring Central Asian gas to Southeastern Europe. South Stream is much farther ahead in the race to supply the “New Europe” with gas, having received support from the governments in Austria, Bulgaria, Greece, Hungary, Italy and Serbia. Only Romania backs the Nabucco project. The problem for the Nabucco project is assuring supplies of gas. At one point it was hoped Azeri, Iraqi, and even Iranian gas could be used. But reality has proven to be more difficult to implement than the plans. South Stream, however, will have assured access to Russian, Kazakh, and Turkmen gas. The U.S. government has lobbied governments across Southeastern Europe to stick with the Nabucco project; meanwhile Gazprom is already putting the necessary pieces in place. Putin derisively dismissed the idea of competition between the two projects, insisting that the South Stream project is a done deal and that Nabucco is dead on arrival: “You can build a pipeline or even two, three, or five. The question is what fuel you put through it and where do you get that fuel. If someone wants to dig into the ground and bury metal there in the form of a pipeline, please do so, we don’t object.” He went on to add: “There can be no competition when one project has the gas and the other does not.”

### **Northeast Asia**

Russia’s desire to re-emerge as a power in Northeast Asia has been limited to weapons sales and its role – however small – in the Six-Party Talks on Korean Peninsula security issues. More recently the Russian military has taken to reestablishing air patrols along the East Asian littoral. The overflight of the U.S. carrier Nimitz off of the coast of Japan in February by a Tupelov *Tu-95* “*Bear*” bomber demonstrated Russia’s resolve to be noticed in the region. This was the first such incident since 2004.

There is some speculation that the Kremlin has been unhappy with the progress of the Six-Party talks on Korean Peninsula security issues. It is not only the obstreperous behavior of Pyongyang that is said to have been wearing on Russian negotiators, but more so the fact that the recent series of bilateral talks between the United States and North Korea have essentially sidelined the other players, especially Russia and Japan. In late March the Kremlin replaced Deputy Foreign Minister Alexander Losyukov – Moscow’s representative not just at the Six-Party talks, but also the longtime de facto Northeast Asian representative – with Alexei Borodavkin. Borodavkin has been most recently Russia’s representative to the Organization for Security and Cooperation in Europe. Losyukov’s replacement may be a sign of Moscow’s discontent with the direction of the talks.

An overlooked aspect of the Joint Declaration issued by the six-party members in February 2007 is that of the working groups. The six parties agreed to the establishment of five working groups, one of which is the Working Group on Economy and Energy Cooperation (chaired by South Korea). One of the tasks outlined for this working group is the delivery of 1 million tons of heavy fuel oil to North Korea, or its equivalent in energy related equipment. With an eye perhaps to maintaining its traditional influence in Pyongyang, the Russian government has recently indicated that it would be prepared to deliver additional fuel oil to the DPRK. Russia, incidentally, chairs the Working Group for a Northeast Asia Peace and Security Mechanism. If one of the goals of the Six-Party Talks is the promotion of security cooperation in Northeast Asia (as outlined in the Joint Declaration), then establishing a reliable source of energy not just for North Korea, but for all of Northeast Asia would be a major accomplishment. Having Russian energy delivered to the Korean Peninsula, Northeast Asia, and beyond in the Asia-Pacific region would say much more about Russia's re-emergence in the region than having Russian bombers buzz U.S. carriers in the Sea of Japan.

### **What the future holds**

The U.S. and Russia seem to have weathered the worst of the winter storm. The leaders of both countries recognize that relations, although thorny at times, need to be focused on strategic matters. Although traditional strategic matters bring to mind the worst days of the Cold War, today's strategic matters include antiterror campaigns, counterproliferation efforts, and trade issues. The Kremlin and the White House recognize this and look past the noise that emanates from the international press and political opposition.

Over the next few months, as the U.S. presidential election heats up, there will be more criticism of Russia. After Medvedev's swearing-in May 7, it remains to be seen how the new administration in Russia will react to this criticism. As mentioned, Medvedev will meet with Bush in early July in Japan. Perhaps at this time it will be clear what the two governments have come up with in terms of a compromise over the missile defense system. Additionally, within Russia there will be decisions made this spring about laws on foreign investment in strategic industries, and on the purchase of the majority share on the Kovykta gas project in East Siberia. Both of these decisions might tell us a lot about the economic philosophy of the Kremlin under Medvedev.

## **Chronology of U.S.-Russia Relations January-March 2008**

**Jan. 10, 2008:** Vladimir Putin appoints Duma lawmaker Dmitri Rogozin as Russia's permanent representative to NATO. A staunch Russian nationalist, Rogozin's appointment is a harbinger of difficulties in Russia-NATO relations.

**Jan. 16, 2008:** Ukrainian President Viktor Yushchenko and Prime Minister Yulia Timoshenko make a public appeal to NATO, declaring Ukraine's readiness to advance to

a Membership Action Plan (MAP) with NATO.

**Feb. 5, 2008:** In testimony to Congress, National Director of Intelligence Michael McConnell warns of Russia's growing financial clout and its willingness to use this to leverage political goals.

**Feb. 5, 2008:** In an interview with a Polish newspaper, Russian Foreign Minister Sergei Lavrov labels U.S. plans to build a global missile defense shield an example of "imperial thinking."

**Feb. 9, 2008:** Four Russian Tupolev *Tu-95* "Bear" bombers pass close by the U.S. carrier *Nimitz* in international waters off of Japan.

**Feb. 10, 2008:** Russian First Deputy Prime Minister Sergei Ivanov gives a conciliatory speech at a Munich security conference, the same venue where a year before Putin had launched a scathing broadside at Washington.

**Feb. 12, 2008:** With Ukrainian President Viktor Yushchenko at his side, Putin tells a group of journalists in Moscow that if Ukraine joins NATO Russia might be forced to target nuclear missiles on that country.

**Feb. 17, 2008:** Kosova officially declares its independence from Serbia. The next day the U.S. recognizes this act despite Russia protestations.

**March 2, 2008:** Dmitry Medvedev is elected president of the Russian Federation.

**March 11, 2008:** In its annual report on human rights, the State Department accuses the Russian government of corruption and electoral abuses.

**March 18, 2008:** In Moscow, Minister of Foreign Affairs Lavrov and Minister of Defense Anatoly Serdyukov meet with U.S. counterparts Secretary of State Condoleezza Rice and Secretary of Defense Robert Gates. The four discuss pressing strategic issues such as missile defense, NATO expansion, and the CFE Treaty. Gates and Rice also meet with President Putin and President-elect Medvedev.

**March 20, 2008:** Georgian President Mikhail Saakashvili meets President George Bush in Washington and urges Washington's support for placing Georgia on a membership track to NATO.

**March 20, 2008:** Russian law enforcement authorities raid the Moscow offices of BP and TNK-BP.

**March 26, 2008:** In a speech delivered in Los Angeles, Republican presidential nominee John McCain argues that Russia should be excluded from G8 membership.

**March 27, 2008:** The Kremlin announces that Deputy Foreign Minister Alexander Losyukov will be replaced by Alexei Borodavkin as representative to the Six-Party talks in Korea.

**April 1, 2008:** George Bush arrives for a brief visit to Kiev and meets the Ukrainian political leadership, including President Yushchenko and Prime Minister Timoshenko.

**April 3-4, 2008:** Bush and Putin attend the NATO summit in Bucharest, Romania.

**April 5-6, 2008:** Putin hosts Bush for their final summit together as presidents at Putin's vacation home in Sochi along the Black Sea in southern Russia. This is their 28<sup>th</sup> meeting together as presidents of their respective nations.